



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
RUSSELL COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2001

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE RUSSELL COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

The Auditor of Public Accounts has completed the Russell County Fiscal Court audit for fiscal year ended June 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Cash balances increased by \$96,972 from the prior fiscal year, resulting in a cash surplus of \$391,970 as of June 30, 2001. Total revenues for the fiscal year were \$3,602,506 and total disbursements were \$3,505,534. Operating revenue increased by \$332,442 and budgeted expenditures decreased by \$ 2,039,680.

Debt Obligations:

Total bonded debt principal as of June 30, 2001, was \$220,000. Future collections of \$161,570 are needed over the next three (3) years to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$272,000 as of June 30, 2001. Future principal and interest payments of \$322,142 are needed to meet these obligations.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Charles M. Smith, Russell County Judge/Executive

Members of the Russell County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Russell County, Kentucky, as of June 30, 2001, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Russell County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Russell County Tourist Commission. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Russell County Tourist Commission, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Russell County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Charles M. Smith, Russell County Judge/Executive
Members of the Russell County Fiscal Court

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2001 of Russell County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting described above.

In accordance with Government Auditing Standards, we have also issued our report dated January 22, 2002 on our consideration of Russell County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Russell County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
January 22, 2002

RUSSELL COUNTY OFFICIALS

Fiscal Year Ended June 30, 2001

Fiscal Court Members:

Charles M. Smith	County Judge/Executive
Herlen R. Lawless	Magistrate
Mickey Garner	Magistrate
Cecil Roy	Magistrate
Bradley A. Redmon	Magistrate
Larry W. Holt	Magistrate

Other Elected Officials:

Howard Kent Cooper	County Attorney
Darrell L. McQueary	Jailer
Brigette Popplewell	County Clerk
Tony Kerr	Circuit Court Clerk
Larry L. Bennett	Sheriff
Rodney G. Owens	Property Valuation Administrator
Larry D. Skaggs	Coroner

Appointed Personnel:

Anita Tucker	County Treasurer
Glenna Helm	Occupational Tax Administrator
Tonya Boyd	Occupational Tax Administrator
Glenna Helm	Finance Officer
Tonya Boyd	Personnel Officer
Ronnie McGaha	Road Supervisor
Melody Keaton	911 Administrator

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

RUSSELL COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2001

Assets and Other Resources

Assets

General Fund Type

General Fund:

Cash \$ 169,041

Road and Bridge Fund:

Cash 30,701

Jail Fund:

Cash 7,274

Local Government Economic Assistance Fund:

Cash 30,930

Payroll Revolving Account - Cash 15,464 \$ 253,410

Special Revenue Fund Type

Community Development Block Grant Fund:

Cash \$ 48,949

Tourism Fund:

Cash 11,737

Airport Board Fund:

Cash 2,083 62,769

Debt Service Fund Type

Public Properties Corporation Fund:

Cash 91,255

Other Resources

Debt Service Fund Type

Road and Bridge Fund:

Amount to be Provided in Future Years for Capital

Lease Principal Obligation (Note 4) \$ 272,000

Public Properties Corporation Fund:

Amount to be Provided in Future Years for Bond

Principal Payments (Note 4) 128,745 400,745

Total Assets and Other Resources \$ 808,179

The accompanying notes are an integral part of the financial statements.

RUSSELL COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2001
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund Types

Payroll Revolving Account	\$	15,464
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Debt Service Fund Type

Road and Bridge Fund:

Capital Lease Principal Obligation (Note 4)	\$	272,000
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Public Properties Corporation Fund:

Bond Sinking Account -

Bond Principal Not Matured (Note 4)	220,000	492,000
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Fund Balances

Reserved:

Special Revenue Fund Type

Community Development Block Grant Fund	\$	48,949
Tourism Fund		11,737
Airport Board Fund		2,083
		62,769

Unreserved:

General Fund Type

General Fund	\$	169,041
Road and Bridge Fund		30,701
Jail Fund		7,274
Local Government Economic Assistance Fund		30,930
		237,946

Total Liabilities and Fund Balances	\$	808,179
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The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

RUSSELL COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2001

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 2,933,026	\$ 1,231,666	\$ 972,759	\$ 98,417
Transfers In	494,480	77,700		340,500
Borrowed Money	100,000	100,000		
Lease-Purchase Proceeds	75,000	75,000		
Total Cash Receipts	<u>\$ 3,602,506</u>	<u>\$ 1,484,366</u>	<u>\$ 972,759</u>	<u>\$ 438,917</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 2,615,739	\$ 968,346	\$ 830,086	\$ 435,616
Schedule of Other Expenditures	214,315			
Transfers Out	494,480	348,100	141,380	
Principal on Capital Lease	36,000		36,000	
Principal on Bonds	45,000			
Borrowed Money Repaid	100,000	100,000		
Total Cash Disbursements	<u>\$ 3,505,534</u>	<u>\$ 1,416,446</u>	<u>\$ 1,007,466</u>	<u>\$ 435,616</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 96,972	\$ 67,920	\$ (34,707)	\$ 3,301
Cash Balance - July 1, 2000	<u>294,998</u>	<u>\$ 101,121</u>	<u>\$ 65,408</u>	<u>\$ 3,973</u>
Cash Balance - June 30, 2001	<u><u>\$ 391,970</u></u>	<u><u>\$ 169,041</u></u>	<u><u>\$ 30,701</u></u>	<u><u>\$ 7,274</u></u>

The accompanying notes are an integral part of the financial statements.

RUSSELL COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
Fiscal Year Ended June 30, 2001
(Continued)

General Fund Type	Special Revenue Fund Type			Debt Service Fund Type
Local Government Economic Assistance Fund	Community Development Block Grant Fund	Tourism Fund	Airport Board Fund	Public Properties Corporation Fund
\$ 21,281	\$ 288,949	\$ 113,056	\$ 202,271 12,600	\$ 4,627 63,680
<u>\$ 21,281</u>	<u>\$ 288,949</u>	<u>\$ 113,056</u>	<u>\$ 214,871</u>	<u>\$ 68,307</u>
\$ 12,112 5,000	\$ 240,000	\$ 112,399	\$ 212,815	\$ 17,180 1,500 45,000
<u>\$ 17,112</u>	<u>\$ 240,000</u>	<u>\$ 112,399</u>	<u>\$ 212,815</u>	<u>\$ 63,680</u>
\$ 4,169 \$ 26,761	\$ 48,949 \$ 0	\$ 657 \$ 11,080	\$ 2,056 \$ 27	\$ 4,627 \$ 86,628
<u>\$ 30,930</u>	<u>\$ 48,949</u>	<u>\$ 11,737</u>	<u>\$ 2,083</u>	<u>\$ 91,255</u>

The accompanying notes are an integral part of the financial statements.

RUSSELL COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Russell County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Russell County Tourist Commission, the Russell County Airport Board, and the Public Properties Corporation as part of the reporting entity. The Tourist Commission was audited by other auditors whose report is included in Appendix B.

Russell County Tourism Commission

The fiscal court has included the Russell County Tourism Commission as part of its reporting entity because they appoint a voting majority of the governing body and can impose their will, and the fiscal court is financially accountable for the component unit as a result of fiscal dependency based on the criteria stated in GASB 14.

Russell County Airport Board

The fiscal court has included the Russell County Airport Board as part of its reporting entity because they appoint a voting majority of the governing body and can impose their will, and the fiscal court financially accountable for the component unit.

Public Properties Corporation

The fiscal court has included the Public Properties Corporation as part of its reporting entity because the fiscal court uses this entity to service its debts and issue bonds.

Additional - Russell County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Russell County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

RUSSELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Russell County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Russell County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, and Local Government Economic Assistance Fund.

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Community Development Block Grant Fund, Russell County Tourism Fund, and Russell County Airport Board Fund are reported as Special Revenue Fund Types.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and include funds for the Public Properties Corporation Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Russell County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

RUSSELL COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2001
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget (Continued)

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Special Revenue Fund Type - Russell County Airport Board Fund and the Debt Service Fund Type. The Special Revenue Fund Type - Russell County Airport Board Fund is a component unit. The Debt Service Fund Type includes the Public Properties Corporation, because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require these funds to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Russell County Ambulance Service District is considered a related organization of Russell County Fiscal Court.

G. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. The following are joint ventures in which Russell County is a participant:

Russell Springs-Jamestown-Russell County Industrial Development Authority
 Russell Springs-Jamestown-Russell County 911 Dispatch

RUSSELL COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2001
 (Continued)

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2001, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

Note 4. Long-Term Debt

A. Public Properties Corporation Bonds

On October 1, 1992, the Russell County Public Properties Corporation issued Public Project Revenue Bonds Series 1992 in the amount of \$585,000; the proceeds of which were used to finance the county's road paving project. Principal and interest is due annually in April. The bonds mature in April 2004. Bonds outstanding as of June 30, 2001 are \$220,000.

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2002	\$ 14,300	\$ 50,000
2003	11,050	55,000
2004	7,475	115,000
Totals	<u>\$ 32,825</u>	<u>\$ 220,000</u>

RUSSELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 4. Long-Term Debt (Continued)

B. Capital Lease Obligation

On May 12, 1998, Russell County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$400,000. The funds were to be used for a county road-paving project. The county is in substantial compliance with the lease agreement as of June 30, 2001. The lease matures on January 20, 2008 and interest is to be paid monthly based upon a 4.50% interest rate. Principal is to be paid annually on January 20. The principal balance outstanding as of June 30, 2001 is \$272,000.

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2002	\$ 12,671	\$ 37,000
2003	10,969	39,000
2004	9,176	41,000
2005	7,313	42,000
2006-2008	10,013	113,000
Totals	<u>\$ 50,142</u>	<u>\$ 272,000</u>

Note 5. Lease-Purchase Agreements

The county has entered into the following lease-purchase agreements:

<u>Description</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
Sheriff's Vehicles Lease	07/13/1999	07/20/2002	4.50%	\$ 11,747
Fire Truck Lease	04/26/2001	05/20/2011	3.67%	\$ 74,491

RUSSELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 6. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations.

The Russell County Jail Canteen Fund had income of \$12,524, less cost of goods sold of \$12,178, leaving net income at \$346 as of June 30, 2001. The net income of \$346 plus June 30, 2000 ending balance of \$779 results in an ending balance of \$1,125, as of June 30, 2001. All profit expenditures were for the benefit and/or recreation of the inmates.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

RUSSELL COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2001

<u>Budgeted Funds</u>	Budgeted Operating Revenue	Actual Operating Revenue	Over (Under) Budget
<u>General Fund Type</u>			
General Fund	\$ 1,633,192	\$ 1,231,666	\$ (401,526)
Road and Bridge Fund	976,411	972,759	(3,652)
Jail Fund	94,317	98,417	4,100
Local Government Economic Assistance Fund	19,338	21,281	1,943
<u>Special Revenue Fund Type</u>			
Community Development Block Grant Fund	1,000,000	288,949	(711,051)
Tourism Fund	93,810	113,056	19,246
Totals	<u>\$ 3,817,068</u>	<u>\$ 2,726,128</u>	<u>\$ (1,090,940)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 3,817,068
Add: Budgeted Prior Year Surplus			207,343
Add: Budgeted Borrowed Money			100,000
Less: Budgeted Other Financing Uses			<u>(222,562)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 3,901,849</u>

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SCHEDULE OF OPERATING REVENUE

RUSSELL COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2001

Revenue Categories	GOVERNMENTAL FUND TYPES			
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type	Debt Service Fund Type
Taxes	\$ 883,666	\$ 770,765	\$ 112,901	\$
In Lieu Tax Payments	86,675	86,675		
Excess Fees	92,774	92,774		
Intergovernmental Revenues	1,725,202	1,236,253	488,949	
Charges for Services	28,140	28,140		
Miscellaneous Revenues	98,226	95,955	2,271	
Interest Earned	18,343	13,561	155	4,627
Total Operating Revenue	<u>\$ 2,933,026</u>	<u>\$ 2,324,123</u>	<u>\$ 604,276</u>	<u>\$ 4,627</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

RUSSELL COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2001

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 495,252	\$ 444,110	\$ 51,142
Protection to Persons and Property	603,600	591,771	11,829
General Health and Sanitation	378,298	46,035	332,263
Social Services	27,300	22,806	4,494
Recreation and Culture	23,000	21,373	1,627
Roads	780,778	754,050	26,728
Debt Service	15,918	15,833	85
Administration	451,612	350,182	101,430
Total Operating Budget - All General Fund Types	\$ 2,775,758	\$ 2,246,160	\$ 529,598
Other Financing Uses:			
Principal on Capital Lease	64,962	36,000	28,962
Principal on Notes	100,000	100,000	
Transfer to Airport Board	12,600	12,600	
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u>\$ 2,953,320</u>	<u>\$ 2,394,760</u>	<u>\$ 558,560</u>

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Administration	\$ 1,000,000	\$ 240,000	\$ 760,000
Recreation and Culture	104,891	112,399	(7,508)
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 1,104,891</u>	<u>\$ 352,399</u>	<u>\$ 752,492</u>

COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 2001
 (Continued)

Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
Debt Service	\$ 21,200	\$ 17,180	\$ 4,020
Total Operating Budget - All Debt Service Fund Types	\$ 21,200	\$ 17,180	\$ 4,020
Other Financing Uses: Principal on Bonds	45,000	45,000	0
TOTAL BUDGET - DEBT SERVICE FUND TYPE	\$ 66,200	\$ 62,180	\$ 4,020

SCHEDULE OF OTHER EXPENDITURES

RUSSELL COUNTY
SCHEDULE OF OTHER EXPENDITURES

Fiscal Year Ended June 30, 2001

Expenditure Items	Airport Board Fund	Public Properties Corporation Fund
Administrative costs	\$	\$ 1,500
Utilities	4,094	
Supplies	1,021	
Computer Maintenance	3,900	
Maintenance	1,487	
Fuel Farm	84,000	
Equipment Repair	410	
Engineering Fees	3,500	
Office Equipment	46	
Advertising	8	
Semons	171	
Hangar Construction	114,128	
Dues	50	
	<hr/>	<hr/>
Totals	<u>\$ 212,815</u>	<u>\$ 1,500</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Charles M. Smith, Russell County Judge/Executive

Members of the Russell County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Russell County, Kentucky, as of and for the year ended June 30, 2001, and have issued our report thereon dated January 22, 2002. We did not audit the financial statements of the Russell County Tourism Commission. Other auditors whose report has been furnished to us audited those financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Russell County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Russell County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
January 22, 2002

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

RUSSELL COUNTY FISCAL COURT

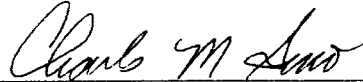
Fiscal Year Ended June 30, 2001

Appendix A

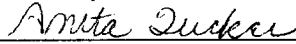
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
RUSSELL COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

The Russell County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Charles M. Smith
Russell County Judge/Executive



Anita Tucker
Russell County Treasurer

AUDIT REPORT OF THE RUSSELL COUNTY TOURIST COMMISSION

Fiscal Year Ended June 30, 2001

Appendix B

RUSSELL COUNTY TOURIST COMMISSION

**REPORT ON AUDIT
OF FINANCIAL STATEMENTS
Year Ended December 31, 2000**

CONTENTS

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Combined Balance Sheet - All Fund Types and Account Groups	2
Combined Statement of Revenues, Expenditures and Changes in Fund Balance - All Governmental Fund Types	3 - 4
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Revenue Fund	5 - 6
Notes to Financial Statements	7 - 10
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	11 - 12

CAMPBELL, MYERS & RUTLEDGE
CERTIFIED PUBLIC ACCOUNTANTS

SKIP R. CAMPBELL, CPA
WILLIAM E. MYERS, CPA
CHARLES E. RUTLEDGE, CPA
DONALD R. CRABTREE, CPA
CINDY L. GREER, CPA

L. JOE RUTLEDGE, CPA

410 SOUTH BROADWAY
GLASGOW, KENTUCKY 42141
TELEPHONE 270/651-2163
270/651-9282
FAX 270/651-6677

Independent Auditors' Report

Russell County Tourist Commission
Russell Springs, Kentucky

We have audited the accompanying financial statements of **Russell County Tourist Commission**, a component unit of the County of Russell, Kentucky, as of and for the year ended December 31, 2000. These financial statements are the responsibility of the **Russell County Tourist Commission**. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of **Russell County Tourist Commission**, as of December 31, 2000, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated May 16, 2001 on our consideration of **Russell County Tourist Commission's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Campbell, Myers + Rutledge

Certified Public Accountants

May 16, 2001

RUSSELL COUNTY TOURIST COMMISSION
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
December 31, 2000

		<u>Account Groups</u>	
	<u>Special Revenue</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>
ASSETS:			
Cash	\$ 28,075	\$ -0-	\$ -0-
Accounts receivable	8,119	-	-
Due from Russell County Fiscal Court	1,000	-	-
PROPERTY, PLANT AND EQUIPMENT:			
Building and improvements	-	204,248	-
Equipment and furniture	-	35,861	-
Land	-	30,240	-
AMOUNT TO BE PROVIDED FOR RETIREMENT OF GENERAL LONG-TERM DEBT	<u>-</u>	<u>-</u>	<u>138,308</u>
TOTAL ASSETS	<u>\$ 37,194</u>	<u>\$270,349</u>	<u>\$ 138,308</u>
LIABILITIES:			
Accrued liabilities	\$ 1,699	\$ -0-	\$ -0-
Notes payable, 8%	<u>-</u>	<u>-</u>	<u>138,308</u>
TOTAL LIABILITIES	<u>1,699</u>	<u>-</u>	<u>138,308</u>
FUND EQUITY:			
Investment in general fixed assets	-0-	270,349	-0-
Fund balance	<u>35,495</u>	<u>-</u>	<u>-</u>
TOTAL FUND EQUITY	<u>35,495</u>	<u>270,349</u>	<u>-</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 37,194</u>	<u>\$270,349</u>	<u>\$ 138,308</u>

The accompanying notes are an integral
part of the financial statements.

RUSSELL COUNTY TOURIST COMMISSION
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
Year Ended December 31, 2000

	<u>Special Revenue</u>
REVENUES:	
Motel taxes and penalties	\$ 111,541
Conference room rental	1,462
Matching funds	2,571
Chamber of Commerce	9,456
Promotional guide	20,578
Miscellaneous	<u>521</u>
Total Revenues	<u>146,129</u>
EXPENDITURES:	
Salaries and wages	40,258
Payroll taxes	3,127
Retirement contribution	2,869
Tourism promotion	25,592
Travel shows - Booth and furniture	3,429
Travel shows - Workers	4,842
Travel	2,339
Advertising	24,916
Postage	4,279
Shipping and freight	315
Utilities	2,501
Insurance	1,034
Telephone	2,414
Copier lease	563
Office supplies	2,112
Internet	996
Cleaning	2,597
Rental	936
Donations	700
Dues and subscriptions	870
Repairs and maintenance	568
Professional services	1,925
Miscellaneous	<u>1,696</u>
Total Expenditures	<u>130,878</u>
Excess of Revenues Over (Under) Expenditures	<u>15,251</u>

RUSSELL COUNTY TOURIST COMMISSION
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - ALL GOVERNMENTAL FUND TYPES, CONCLUDED
Year Ended December 31, 2000

	<u>Special Revenue</u>
OTHER FINANCING SOURCES (USES):	
Interest income	\$ 582
Interest expense (Note 2)	(10,059)
Note payments (Note 2)	(9,136)
Equipment and furniture purchases	<u>(461)</u>
Total Other Financing Sources (Uses)	<u>(19,074)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>(3,823)</u>
FUND BALANCE, JANUARY 1, 2000	<u>39,318</u>
FUND BALANCE, DECEMBER 31, 2000	<u><u>\$ 35,495</u></u>

The accompanying notes are an integral
part of the financial statements.

RUSSELL COUNTY TOURIST COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
Year Ended December 31, 2000
(With Comparative Actual Amounts For The Year Ended December 31, 1999)

	<u>2000</u>			
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual 1999</u>
REVENUES:				
Motel taxes and penalties	\$ 105,000	\$111,541	\$ 6,541	\$ 110,911
Conference room rental	1,500	1,462	(38)	-
Matching funds	2,571	2,571	-	2,541
Chamber of Commerce	7,000	9,456	2,456	6,919
Industrial Authority	1,000	-	(1,000)	1,000
Promotional guide	23,550	20,578	(2,972)	17,040
Miscellaneous	-	521	521	423
Total Revenues	<u>140,621</u>	<u>146,129</u>	<u>5,508</u>	<u>138,834</u>
EXPENDITURES:				
Salaries and wages	38,896	40,258	(1,362)	37,420
Payroll taxes	3,250	3,127	123	2,945
Retirement contribution	2,700	2,869	(169)	2,794
Tourism promotion	24,497	25,592	(1,095)	25,587
Travel shows - Booth and furniture	4,000	3,429	571	4,196
Travel shows - Workers	5,100	4,842	258	5,053
Travel	1,000	2,339	(1,339)	745
Advertising	25,000	24,916	84	15,994
Postage	6,000	4,279	1721	5,740
Shipping and freight	200	315	(115)	178
Utilities	2,150	2,501	(351)	2,218
Insurance	1,200	1,034	166	1,048
Telephone	2,000	2,414	(414)	1,920
Copier lease	550	563	(13)	1,527
Office supplies	2,100	2,112	(12)	2,194
Internet	1,000	996	4	941
Cleaning	2,500	2,597	(97)	2,379
Rental	850	936	(86)	-
Donations	700	700	-	700
Dues and subscriptions	1,000	870	130	960
Repairs and maintenance	500	568	(68)	1,453
Professional services	1,850	1,925	(75)	1,840
Miscellaneous	1,000	1,696	(696)	2,307
Total Expenditures	<u>128,043</u>	<u>130,878</u>	<u>(2,835)</u>	<u>120,139</u>
Excess of Revenue Over (Under) Expenditures	<u>12,578</u>	<u>15,251</u>	<u>2,673</u>	<u>18,695</u>

RUSSELL COUNTY TOURIST COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SPECIAL REVENUE FUND, CONCLUDED
Year Ended December 31, 2000
(With Comparative Actual Amounts For The Year Ended December 31, 1999)

	<u>2000</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
			<u>Actual 1999</u>
OTHER FINANCING SOURCES			
(USES):			
Interest income	\$ 500	\$ 582	\$ 82
Interest expense	(10,650)	(10,059)	591
Capital expenditures	(1,100)	(461)	639
Note payments	(8,550)	(9,136)	(586)
Total Other Financing Sources (Uses)	<u>(19,800)</u>	<u>(19,074)</u>	<u>726</u>
EXCESS OF REVENUES AND OTHER			
SOURCES OVER (UNDER)			
EXPENDITURES	<u>\$ (7,222)</u>	<u>(3,823)</u>	<u>\$ 3399</u>
FUND BALANCE, JANUARY 1, 2000		<u>39,318</u>	<u>42,794</u>
FUND BALANCE, DECEMBER 31, 2000		<u>\$35,495</u>	<u>\$ 39,318</u>

The accompanying notes are an integral
part of the financial statements.

RUSSELL COUNTY TOURIST COMMISSION NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

History and Background:

On December 12, 1981, by request of the Russell County Motel Association and Restaurant Owners Association, Russell County Fiscal Court issued an Order in accordance with Kentucky Revised Statutes, Chapter 38, Section 340 through 83.350, establishing the Russell County Tourist Commission. In accordance with this law, a 3% transient room tax was levied on all room rentals, effective January 1, 1982. The tax is collected by all firms engaged in room rentals with the receipts used to promote tourism and travel to the Russell County area. The tax is submitted at the end of each month on forms supplied by the Tourist Commission.

Reporting Entity:

In applying the criteria set forth in GASB 14, the decision was made to include the Russell County Tourist Commission as a component unit of the Russell County Government unit.

Fund Accounting:

The accounts of the Commission are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

Governmental Funds

Special Revenue Funds:

The Special Revenue Funds account for revenues derived from specific taxes or other earmarked revenue sources.

Fixed Assets and Long-Term Liabilities:

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in the governmental funds. Fixed assets derived from expenditures for land improvements other than buildings, (e.g., streets, sewer, sidewalks) have not been capitalized.

Fixed assets acquired or constructed for general governmental services are recorded as expenditures in the funds making the expenditures and capitalized at cost in the General Fixed Assets Account Group. Assets acquired by gift or contribution are recorded at fair market value at time of bequest or receipt.

**RUSSELL COUNTY TOURIST COMMISSION
NOTES TO FINANCIAL STATEMENTS, CONTINUED**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED:

Fixed Assets and Long-Term Liabilities, Concluded:

No depreciation has been provided on general fixed assets.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

Basis of Accounting:

Basis of accounting refers to when revenues and expenditures or expenses are recognized in accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay and other employee amounts which are not accrued; and (2) principal and interest on general long-term debt which are recognized when due.

Budgets and Budgetary Accounting:

The annual budget for the Commission is adopted at the December meeting for the following calendar year. The budget is prepared in accordance with the basis of accounting utilized by each fund.

Receivables - Bad Debts:

The Commission uses the direct write-off method to account for bad debts. No allowance for bad debts has been provided as no material amounts are expected to be written off as of December 31, 2000. The direct write-off method does not significantly depart from generally accepted accounting principles.

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**RUSSELL COUNTY TOURIST COMMISSION
NOTES TO FINANCIAL STATEMENTS, CONTINUED**

2. LONG-TERM DEBT:

A summary of long-term debt transactions for the year ended December 31, 2000, follows:

Note payable to Bank of Jamestown, payable in monthly payments of \$799.79, including interest at 7%, with final maturity December, 2011.	\$ 69,154
-------------------------------------------------------------------------------------------------------------------------------------------	-----------

Note payable to First National Bank, payable in monthly payments of \$799.75, including interest at 7%, with final maturity December, 2011.	<u>69,154</u>
---------------------------------------------------------------------------------------------------------------------------------------------	---------------

\$138,308

Long-term debt matures in the next five years as follows:

2001	\$ 9,415
2002	10,096
2003	10,826
2004	11,608
2005	12,447

3. RETIREMENT PLAN:

Substantially all employees are covered under a statewide County Employee's Retirement System (CERS), a multiple-employer, public employers retirement system.

The contribution requirement for CERS for the year ended December 31, 2000, was \$4,922, which consisted of \$2,909 from the Commission and \$2,013 from the employees; these contributions represented 7.28%, 7.17% and 5.0% of covered payroll, respectively.

Benefits under the Plan will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the Plan and employers.

**RUSSELL COUNTY TOURIST COMMISSION
NOTES TO FINANCIAL STATEMENTS, CONCLUDED**

3. RETIREMENT PLAN, CONCLUDED:

CERS does not make separate measurements of assets and pension benefit obligation for individual employers. The following table presents certain information regarding the Plan's status as a whole, derived from actuarial valuations performed as of the dates indicated.

	<u>CERS as of June 30, 2000</u>
Assets available for benefits (At fair value)	\$ 6,729,576
Pension benefit obligation	<u>4,453,155</u>
Overfunded benefit obligation	<u>\$ (2,276,421)</u>

As the Commission is only one of several employers participating in the Plan, it is not practicable to determine the Commission's portion of the unfunded past service cost or the vested benefits of the Commission's portion of the Plan assets.

CAMPBELL, MYERS & RUTLEDGE

CERTIFIED PUBLIC ACCOUNTANTS

SKIP R. CAMPBELL, CPA
WILLIAM E. MYERS, CPA
CHARLES E. RUTLEDGE, CPA
DONALD R. CRABTREE, CPA
CINDY L. GREER, CPA

L. JOE RUTLEDGE, CPA

410 SOUTH BROADWAY
GLASGOW, KENTUCKY 42141
TELEPHONE 270/651-2163
270/651-9282
FAX 270/651-6677

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Russell County Tourist Commission
Russell Springs, Kentucky

We have audited the financial statements of Russell County Tourist Commission, a component unit of the County of Russell, Kentucky, for the year ended December 31, 2000, and have issued our report thereon dated May 16, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Russell County Tourist Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Russell County Tourist Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Russell County Tourist Commission
Russell Springs, Kentucky
Page 2

This report is intended solely for the information and use of the audit committee, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Campbell, Myers & Rattley".

Certified Public Accountants

May 16, 2000